



TFSA Passive Income: 1 Cheap TSX Dividend Stock to Buy Now

Description

The best dividend deals of 2022 might be in the rearview mirror, but TFSA investors seeking passive income can still find good high-yield stocks to buy at [undervalued](#) prices.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a leader in the North American energy infrastructure sector with \$100 billion in assets located across Canada, the United States, and Mexico. The company's core business is the transmission and storage of natural gas. TC Energy operates 93,000 km of natural gas pipelines that move the commodity from producers to storage facilities and utilities. Oil pipelines and power-generation facilities make up the rest of the asset base.

Growth

Global demand for North American natural gas is on the rise. Europe is desperate to secure substantial long-term supplies of liquified natural gas (LNG), as it tries to eliminate its dependence on Russia. Asian countries are turning to natural gas a replacement for oil and coal to produce electricity in power plants. Natural gas emits much less carbon dioxide when burned than coal or oil.

TC Energy is building the Coastal GasLink pipeline in Canada that will connect natural gas producers in northwestern British Columbia with a new LNG plant on the B.C. coast. The project faced some challenges in the past couple of years and TC Energy just announced the cost will be \$11.2 billion, 70% higher than the original projections due to rising construction costs and delays. On the positive side, the project is 70% complete, and TC Energy has come to an agreement on cost sharing with LNG Canada.

TC Energy's American operations include pipelines that run from the Marcellus and Utica shale plays to the U.S. Gulf Coast, where LNG facilities ship the gas to international buyers.

TC Energy reported Q2 2022 net income of \$889 million. That was down from \$975 million in the same

quarter last year, but the company reiterated its outlook for 2022 comparable earnings to be similar to 2021.

Dividends

The company has a \$28 billion capital program on the go that should drive revenue and cash flow growth through 2026. This is expected to support steady dividend increases. TC Energy raised the payout in each of the past 22 years.

The company just reinstated the dividend-reinvestment plan (DRIP) that will give investors the option to use the dividends to buy additional stock at a 2% discount. This is not the focus for retirees and other passive-income investors, but younger investors who want to harness the power of compounding might be interested in taking advantage of the DRIP.

The bottom line on TC Energy

The stock appears undervalued at the current price near \$68 per share. TC Energy traded above \$74 in June. Investors who buy at the current level can pick up a 5.3% yield and look forward to steady dividend increases in the coming years.

The soaring costs on Coastal GasLink are frustrating, but investors now have a clear picture on the project's direction and future. This should remove part of the overhang on the stock in the coming months. Once the project is finished and goes into commercial service, investors could see a boost to the size of the dividend increases.

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aswalker

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